

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20556**

In the Matter of)	
)	CC Docket No. 02-6
Request for Review by)	CC Docket No. 96-45
General Communication, Inc. of)	Application No. 662363
Decision by Universal Service Administrator)	

**REQUEST FOR REVIEW AND COMMENTS OF GENERAL COMMUNICATION,
INC. IN SUPPORT OF IDITAROD AREA SCHOOL DISTRICT FUNDING APPEAL**

Pursuant to 47 C.F.R. § 54.719, General Communication, Inc. (“GCI”) requests Commission review of the decision by the Schools and Libraries Division (“SLD”) of the Universal Service Administrative Company (“USAC” or “Administrator”) on May 11, 2010 (the “USAC Decision”), to reduce the amount of eligible service funding for the Iditarod Area School District (“IASD” or “District”), Billed Entity Number 145590, due to a caching function in GCI’s on-premise equipment for the 2009-2010 funding year. The erroneous USAC Decision applies to two IASD funding requests: FRN 1809041 and FRN 1809043. GCI also hereby supports IASD’s June 17, 2010 Request for Review of the USAC Decision.¹

USAC erroneously denied funding to IASD to support the caching function of GCI’s on-premises equipment. As explained in detail below, the USAC Decision ignores IASD’s detailed factual showing demonstrating its eligibility for the disallowed funding and inexplicably departs from the Commission’s long-standing *Tennessee Decision*.² USAC’s departure is particularly

¹ *Request for Review by the Iditarod Area School District*, CC Docket No. 02-6 (June 17, 2010).

² *Request for Review by the Department of Education of the State of Tennessee of the Decision of the Universal Service Administrator*, Order, 14 FCC Rcd 13,734 (1999) (“*Tennessee Decision*”).

harmful here, as the USAC Decision, if allowed to stand, would result in the systematic denial of support for remote and difficult to serve schools that require satellite transport and on-site provider caching as part of their Internet Access service.

IASD conclusively demonstrated that it satisfied the *Tennessee Decision* test for establishing that caching functions like those at issue are eligible for funding. USAC failed to apply that test by failing to recognize that: (1) the caching servers are not a part of IASD's internal network; (2) the caching server is owned by GCI; (3) payment for the caching function is simply payment for part of the Internet Access service provided by GCI; and (4) the caching servers are necessary for the provision of Internet Access at IASD's remote locations to mitigate the limitations and high costs of satellite service. USAC's decision is also in error because it departs from Commission precedent and prior awards without justification. Accordingly, and as explained more fully herein, the Commission should reverse the USAC Decision, restore funding for the caching service, and preserve administrative resources by declaring funding appropriate under these circumstances.

I. Summary of the Facts

IASD is a school district located in the central region of Alaska, north of Anchorage. Each IASD school is located in a remote Alaska community served only by satellite communications. As a result, the IASD schools receive their Internet Access service from GCI using a Ku-band satellite service. GCI delivers this service using, in part, on-premises, GCI-owned equipment.

GCI's provision of Internet Access service to the IASD schools includes all necessary equipment for the Internet Access service. Specifically, GCI provides the service using a Cisco 2811 Router, IronSystems SASv3 Server, IDirect 5100 Net Modem, and APC UPS-750RM

power supply. The demarcation point between GCI and IASD is at the router port that connects GCI's equipment to the IASD LAN. The IronSystems SASv3 Server, owned by GCI, was designed specifically for GCI SchoolAccess to be used in a satellite transport network. It is GCI-owned equipment that, among other things, reduces bandwidth needs across the satellite transport network, increases performance by reducing latency inherent in satellite networks, and provides basic firewall and mail services typical to ISP core servers. These GCI-owned servers are, of course, equipped for caching, which increases the efficiency of SchoolAccess Internet Access service. All equipment behind the demarcation point, including the IronSystems SASv3 Server, is owned by GCI and is necessary to provide Internet Access service to the IASD schools.

This configuration, including the location of all GCI equipment on the GCI side of the demarcation point, is illustrated in the configuration diagram IASD provided to USAC in response to USAC's Nov. 20, 2009, request for additional information.³

IASD's 2009-2010 funding year request sought funding for GCI SchoolAccess Internet Delivery. GCI has provided similar service to over 200 schools in extremely remote areas of Alaska, and prior to this funding year, has routinely received funding for the caching function GCI provides to schools using GCI-owned, on-premise equipment. This service is critical to these remote schools and, just like IASD, these schools depend on GCI to provide *all* of the components of Internet Access service, including caching functions.

In its role as a provider of E-Rate supported services to eligible schools, GCI is aware that the USAC Program Integrity Assurance team ("PIA") routinely seeks information to

³ Responsive Letter from Isabelle Harrington, Iditarod School District, to Nicholas C. Bazaral, Associate Manager – PIA, Schools & Libraries ("IASD Response to Nov. 20, 2009 Letter") (attached hereto as Exhibit A).

determine whether the equipment described in an applicant's Form 471 is part of the school's LAN or whether it is part of the telecommunications or Internet service delivery. Although PIA sought—and received—information from IASD to support the claim that the caching functions are part of the Internet Access service provided and therefore eligible for funding, PIA ignored these facts and withdrew funding covering the caching function.

In GCI's experience, the typical inquiry sets out a series of eight questions seeking information that would rebut (or not) the presumption that on-premises equipment is part of the school LAN, which is not supported by Schools and Libraries funding. Information requested includes:

1. Is the leased on-premise equipment an integral component of a Telecommunications or Internet Access service?
2. Will the leased on-premise equipment be provided by the same service provider that provides the associated Telecommunications Service or Internet Access service?
3. Does responsibility for maintaining the equipment rest with the service provider?
4. Will ownership of the equipment transfer to the school or library in the future?
5. Does the relevant contract or lease include an option for the applicant to purchase the equipment?
6. Will the leased equipment be used at the applicant site for any purpose other than receipt of the eligible Telecommunications Services or Internet Access of which it is a part?
7. Will the school's or library's internal communication systems (e.g., LAN, video, phone, or other communication system) continue to work if the component is disconnected?
8. Are there any contractual, technical, or other limitations that would prevent the service provider from using its network equipment, in part, for other customers?

IASD received and responded to this initial inquiry, but PIA did not use the answers provided to determine whether the on-premise equipment was allowable. Instead, PIA asked for a general description of the server and its uses and sought an allocation of the server to caching, which it characterized as among the “ineligible functions.”⁴

IASD responded that the server was provider-owned equipment and provided facts to rebut the presumption that caching was ineligible:

These servers provide the same functionality as do servers located in a central office of a typical Lower 48 Internet Service Provider (ISP). These GCI owned servers are custom manufactured by Iron Systems especially for GCI SchoolAccess to be used in a satellite transport network. The GCI SchoolAccess model number is SASv3. These servers are specifically designed and used to reduce bandwidth needs across a satellite transport network, increase performance by reducing latency inherent in satellite networks, and provide basic firewall and mail services typical to ISP core servers. The services that are provided on this server are; DNS, DHCP, Basic Email, LDAP for authentication to Basic Email, web server and Proxy/Caching, where the caching is integral and part in parcel to the delivery of the proxy service. The server is external to the applicant’s LAN.⁵

IASD also reported that 20 percent of the GCI-owned server was dedicated to caching.⁶

PIA ignored IASD’s explanation of the server functions and the facts presented that the GCI-owned server is indeed part of the Internet Access service provided. PIA issued a follow-up inquiry (and substantively identical reminder inquiry) that continued to presume that the caching function would be automatically excluded as ineligible, stating, “the documentation provided in the Item 21 Attachments indicates the following ineligible items, *Ineligible 20% for function of*

⁴ See Letter from Nicholas C. Bazaral, Associate Manager – PIA, Schools & Libraries, to Isabelle Harrington, Iditarod School District, dated Nov. 20, 2009 (attached hereto as Exhibit B).

⁵ IASD Response to Nov. 20, 2009 Letter.

⁶ *Id.*

Caching Server were included in your request **Please provide documentation identifying the charges associated with the ineligible items that were identified above [function of caching server] for EACH FRN.**⁷ IASD responded that the servers cost \$1,380.00 per device.⁸ Allocating the cost over the 36-month term of the contract meant that the amortized cost of a server was \$38.33 per month, and twenty percent of the cost allocable to caching functionality was \$7.67 per month per location.

SLD then reduced IASD's funding by \$7.67 per month per location without any explanation for its shift in course with respect to provider-owned equipment. This reduction was made for FRNs 1809041 and 1809043 "to remove: cache server functionality."⁹ While correcting a mathematical error in response to the IASD request for review,¹⁰ SLD subsequently denied IASD's substantive appeal of the USAC Decision to disallow any amount for the caching server.¹¹ At no point did SLD address the evidence provided by IASD demonstrating that GCI's

⁷ Letter from Nicholas C. Bazaral, Associate Manager – PIA, Schools & Libraries, to Isabelle Harrington, Iditarod School District, dated Nov. 30, 2009 (emphasis in original); Letter from Nicholas C. Bazaral, Associate Manager – PIA, Schools & Libraries, to Isabelle Harrington, Iditarod School District, dated Dec. 8, 2009 (emphasis in original) (both letters attached hereto as Exhibit C).

⁸ See Letter of Appeal from Isabelle Harrington, Iditarod School District, to Schools & Libraries Division – Correspondence Unit, dated Mar. 25, 2010 ("SLD Letter of Appeal") (attached hereto as Exhibit D).

⁹ Funding Commitment Decision Letter, FRNs 1809041 and 1809043 (Jan. 26, 2010) (attached hereto as Exhibit E).

¹⁰ Initially, SLD excluded the annual allocation on a monthly basis, thereby compounding the impact of the disallowance. For FRN 1809041 (McGrath), it disallowed \$92.04/month, but that is the yearly amt (\$7.67 x 12). For FRN 1809043 (the six remaining community schools), it disallowed \$552.24/month (\$92.04 x 6), rather than \$46.02/month (\$7.67 x 6). See SLD Letter of Appeal; see also *Administrator's Decision on Appeal – Funding Year 2009-2010*, Form 471 Application Number 662363, dated May 11, 2010 (attached hereto as Exhibit F).

¹¹ *Administrator's Decision on Appeal – Funding Year 2009-2010*, Form 471 Application Number 662363, dated May 11, 2010.

on-premises provision of caching functions was not part of the District's internal network and therefore was eligible for funding.

II. USAC's Denial Should be Reversed as Contrary to the *Tennessee Decision*.

Provision of Internet Access is eligible for support under 47 C.F.R. § 54.503. Internet Access is defined as “[t]he transmission of information as part of a gateway to an information service, [which] may include data transmission, address translation, protocol conversion, billing management, introductory information content, and navigational systems that enable users to access information services.”¹² Caching servers, as well as other on-premises equipment, are presumed to be customer-owned, internal connections, but this presumption is rebuttable.¹³ The Commission's *Tennessee Decision* provides the definitive test for rebutting this presumption and determining when Internet Access services provided via on-premises equipment like GCI's is eligible for funding under 47 C.F.R. § 54.503. To make this determination, the Commission will consider, among other things: (1) whether the equipment is part of a wide area network ineligible for support; (2) ownership of the facility used to provide the service; (3) any lease-purchase arrangements regarding such facility; (4) exclusivity arrangements regarding such facility; (5) maintenance agreements regarding such facility and upfront capital costs; and (6) where the Internet Access service begins and/or ends.¹⁴ The Commission has expressly noted that “caching servers may be included as part of the cost of [Internet Access] service.”¹⁵

¹² 47 C.F.R. § 54.5.

¹³ Specifically, “if the facilities used in providing a service are located on the school premises, they are generally necessary to transport information within one or more buildings of the school campus, and are not part of an end-to-end Internet Access service.” *Tennessee Decision*, 14 FCC Rcd at 13753, ¶ 37.

¹⁴ *See id.* at 13,753-54, ¶ 37-39.

¹⁵ *Id.* at 13,755, ¶ 41.

Applying the *Tennessee Decision* test, the caching functions at issue here are plainly eligible for funding. *First*, the caching server is not a part of IASD's internal network.¹⁶ *Second*, the caching server is owned by GCI.¹⁷ *Third*, because the equipment is GCI's, GCI does not have any lease purchase agreements with IASD regarding the caching server, and payment for the caching function is simply payment for part of the Internet Access service provided by GCI.¹⁸ *Fourth*, because the equipment is GCI's, GCI and IASD have no exclusivity arrangement regarding the use of the caching server.¹⁹ *Fifth*, because the equipment is GCI's, GCI is responsible for the maintenance of the caching server.²⁰ *Finally*, the caching server is behind the demarcation point for IASD's Internet Access service and is necessary for efficient use of the satellite connection for the provision of Internet Access service.²¹ The USAC Decision does not address any of these material facts, much less explain how its decision can be reconciled with the *Tennessee Decision*. Consistent with numerous funding awards based on precisely the same facts, the FCC should restore full funding under the IASD application.

¹⁶ See IASD Response to Nov. 20, 2009 Letter (configuration diagram showing that Iron Systems Server is not part of IASD network).

¹⁷ *Id.*

¹⁸ Declaration of Steve Walker, Budgets & Administrative Services Manager for Managed Broadband Services, GCI (executed July 12, 2010) (attached hereto as Exhibit G).

¹⁹ *Id.*

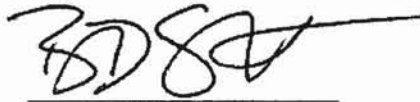
²⁰ *Id.*

²¹ *Id.*

III. Conclusion

For these reasons, GCI respectfully requests that the Commission reverse the USAC Decision denying funding to IASD to support the provider-owned caching server on its premises.

Respectfully submitted,



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Counsel for GENERAL COMMUNICATION, INC.

Date: July 12, 2010

EXHIBIT A

1 ditard response



Schools and Libraries Division

Nov 20, 2009

Isabelle Harrington
IDITAROD AREA SCHOOL DISTRICT
Telephone:
Application Number

(907) 5243033 Ext 224
662363

Response Due Date: Dec 7, 2009

The Program Integrity Assurance (PIA) team is in the process of reviewing all Funding Year 2009 Form 471 Applications for schools and libraries discounts to ensure that they are in compliance with the rules of the Universal Service program. We are currently in the process of reviewing your Funding Year 2009 Form 471 Application. To complete our review, we need some additional information. The information needed to complete the review is listed below

I.)

Based on the documentation provided it appears that FRN(s) **1809041, 1809043, 1809044**, includes charges associated with the following on-premise equipment:

Prodelin 2.4m reflector (satellite dish)
4 Watt Comtech EF Outdoor Receive Unit/Block Up Converter iDirect Satellite
5100 Modem
Cisco 2811
Iron Systems Server
APC 750 UPS.

The FCC has indicated that equipment at the applicant site is presumed to be Internal Connections, but that this presumption can be overcome in certain circumstances. In order for us to evaluate your request, please provide the following information.

Please provide a configuration diagram of the products and services proposed. The diagram should include the on-premise equipment requested as a part of Internet Access or Telecommunications Services, and all other components, including Internal Connections, which directly connect to these components. In addition, the diagram should indicate the specific demarcation(s) points per service between the applicant's local communication facilities and the telecommunications or Internet Access service.

See attachment 1

II.)

For FRN(s) **1809041, 1809043, 1809044**, please provide the complete model # for the Cisco 2811 (i.e. C2811-VSEC-CCME/K9).

The complete model number of the service provider owned and maintained on premise router is C2811-ipbasek9-mz.

III.)

For FRN(s) 1809041, 1809043, 1809044, is the 5100 modem a component of a shared infrastructure available to multiple users?

XX Yes or ___ No.

If NO, then please explain the nature and function of the modem.

IV.)

For FRN(s) 1809041, 1809043, 1809044, the documentation provided in the Item 21 Attachments was not sufficient to determine the eligibility of your request for Iron Systems Servers.

1. Please provide a description that indicates the uses for the requested server(s), including the make and model number if this information has not already been supplied.

These servers provide the same functionality as do servers located in a central office of a typical Lower 48 Internet Service Provider (ISP). These GCI owned servers are custom manufactured by Iron Systems specifically for GCI SchoolAccess to be used in a satellite transport network. The GCI SchoolAccess model number is SASv3. These servers are specifically designed and used to reduce bandwidth needs across a satellite transport network, increase performance by reducing latency inherent in satellite networks, and provide basic firewall and mail services typical to ISP core servers. The services that are provided on this server are; DNS, DHCP, Basic Email, LDAP for authentication to Basic Email, web server and Proxy/Caching, where the caching is integral and part in parcel to the delivery of the proxy service. The server is external to the applicant's LAN.

2. Circle the function(s) of the requested servers. Include the percentage (if any) used for items (e) through (i), which are ineligible functions, so that they may be cost allocated to ensure funding is only requested for eligible uses.

- ☒ (a) DHCP Server
- ☒ (b) Domain name Server (DNS)
- ☒ (c) E-Mail Server
- ☒ (d) Proxy Server
- e. 0 % Application Server (e.g., providing application software to end users)
- f. 0 % Archive Server
- g. 0 % Database Server,
- h. 0 % Data Warehouse Server (including storage of non-email end user files)
- i. 20 % Caching Server
- j. 0 % Print Server
- k. Remote Access Server (also called a Communications Server)
- l. Web Server – what is the function; to provide information to users of the Internet, or to provide substantial software applications, database functions or storage of end user files?
- m. Terminal Server – terminal servers are eligible to the extent that the use meets the other eligible server types. The term "terminal server" is not descriptive enough. What is the specific function? Please select the appropriate functions from a-k

above.

For any ineligible purposes, you may provide a cost allocation so that funding is only requested for the eligible portion.

For more information, please refer to the Eligible Services List at our website - <http://www.universalservice.org/sl/about/eligible-services-list.aspx>.

See also "Cost Allocation for Products and Services" available at <http://www.universalservice.org/sl/applicants/step06/cost-allocation-guidelines-products-services.aspx>.

Please fax or email the requested information to my attention. If you have any questions or you do not understand what we are requesting, please feel free to contact me.

It is important that we receive all of the information requested **within 15 calendar days** so we can complete our review. **Failure to respond may result in a reduction or denial of funding. If you need additional time to prepare your response, please let me know as soon as possible.**

Should you wish to cancel your Form 471 application(s), or any of your individual funding requests, please clearly indicate in your response that it is your intention to cancel an application or funding request(s). Include in any cancellation request the Form 471 application number(s) and/or funding request number(s), and the complete name, title and signature of the authorized individual.

Thank you for your cooperation and continued support of the Universal Service Program.

Nicholas C. Bazaral
Associate Manager- PIA
Schools & Libraries
Phone# 973-581-7686
Fax#973-599-6521
E-Mail: nbazara@sl.universalservice.org

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Attachment 1

GCI SchoolAccess Internet Delivery Ku-Band with Distance Learning Service Iditarod Area School District

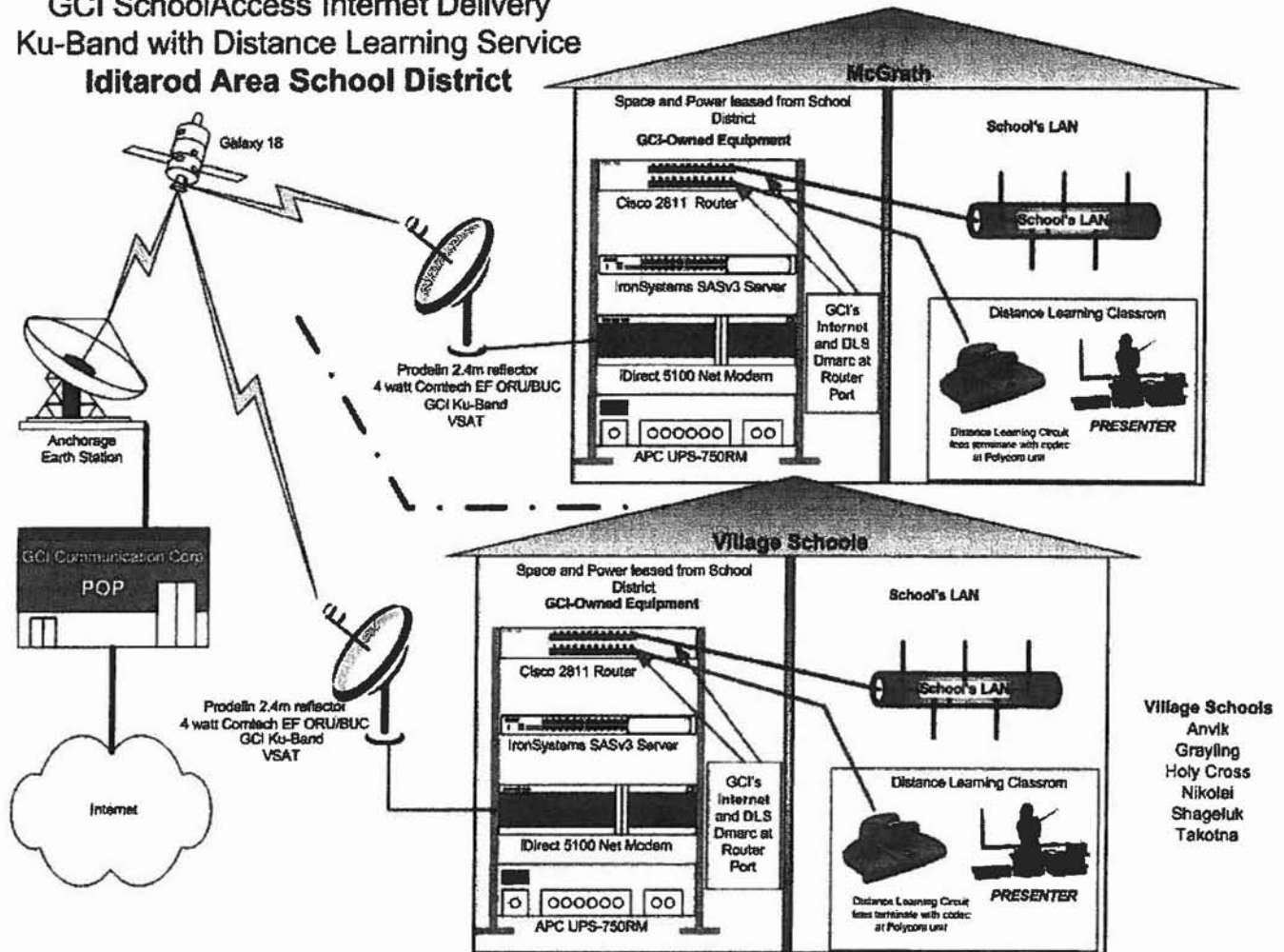


EXHIBIT B



Schools and Libraries Division

Nov 20, 2009

Isabelle Harrington
IDITAROD AREA SCHOOL DISTRICT
Telephone:
Application Number

(907) 5243033 Ext 224
662363

Response Due Date: Dec 7, 2009

The Program Integrity Assurance (PIA) team is in the process of reviewing all Funding Year 2009 Form 471 Applications for schools and libraries discounts to ensure that they are in compliance with the rules of the Universal Service program. We are currently in the process of reviewing your Funding Year 2009 Form 471 Application. To complete our review, we need some additional information. The information needed to complete the review is listed below

I.)

Based on the documentation provided it appears that FRN(s) 1809041, 1809043, 1809044, includes charges associated with the following on-premise equipment:

**Prodelln 2.4m reflector (satellite dish)
4 Watt Comtech EF Outdoor Receive Unit/Block Up Converter IDirect Satellite
5100 Modem
Cisco 2811
CPE Router Iron Systems Server
APC 750 UPS.**

The FCC has indicated that equipment at the applicant site is presumed to be Internal Connections, but that this presumption can be overcome in certain circumstances. In order for us to evaluate your request, please provide the following information.

Please provide a configuration diagram of the products and services proposed. The diagram should include the on-premise equipment requested as a part of Internet Access or Telecommunications Services, and all other components, including Internal Connections, which directly connect to these components. In addition, the diagram should indicate the specific demarcation(s) points per service between the applicant's local communication facilities and the telecommunications or Internet Access service.

II.)

For FRN(s) 1809041, 1809043, 1809044, please provide the complete model # for the Cisco 2811 (i.e. C2811-VSEC-CCME/K9).

III.)

For FRN(s) **1809041, 1809043, 1809044**, is the 5100 modem a component of a shared infrastructure available to multiple users?

___ Yes or ___ No.

If NO, then please explain the nature and function of the modem.

IV.)

For FRN(s) **1809041, 1809043, 1809044**, the documentation provided in the Item 21 Attachments was not sufficient to determine the eligibility of your request for **Iron Systems Servers**.

1. Please provide a description that indicates the uses for the requested server(s), including the make and model number if this information has not already been supplied.
2. Circle the function(s) of the requested servers. Include the percentage (if any) used for items (e) through (i), which are ineligible functions, so that they may be cost allocated to ensure funding is only requested for eligible uses.
 - a. DHCP Server
 - b. Domain name Server (DNS)
 - c. E-Mail Server
 - d. Proxy Server
 - e. ___ % Application Server (e.g., providing application software to end users)
 - f. ___ % Archive Server
 - g. ___ % Database Server,
 - h. ___ % Data Warehouse Server (including storage of non-email end user files)
 - i. ___ % Caching Server
 - j. ___ % Print Server
 - k. Remote Access Server (also called a Communications Server)
 - l. Web Server – what is the function; to provide information to users of the Internet, or to provide substantial software applications, database functions or storage of end user files?
 - m. Terminal Server – terminal servers are eligible to the extent that the use meets the other eligible server types. The term "terminal server" is not descriptive enough. What is the specific function? Please select the appropriate functions from a-k above.

For any ineligible purposes, you may provide a cost allocation so that funding is only requested for the eligible portion.

For more information, please refer to the Eligible Services List at our website - <http://www.universalservice.org/sl/about/eligible-services-list.aspx>.

See also "Cost Allocation for Products and Services" available at <http://www.universalservice.org/sl/applicants/step06/cost-allocation-guidelines-products-services.aspx>.

Please fax or email the requested information to my attention. If you have any questions or you do not understand what we are requesting, please feel free to contact me.

It is important that we receive all of the information requested **within 15 calendar days** so we can complete our review. **Failure to respond may result in a reduction or denial of funding. If you need additional time to prepare your response, please let me know as soon as possible.**

Should you wish to cancel your Form 471 application(s), or any of your individual funding requests, please clearly indicate in your response that it is your intention to cancel an application or funding request(s). Include in any cancellation request the Form 471 application number(s) and/or funding request number(s), and the complete name, title and signature of the authorized individual.

Thank you for your cooperation and continued support of the Universal Service Program.

Nicholas C. Bazaral
Associate Manager- PIA
Schools & Libraries
Phone# 973-581-7686
Fax#973-599-6521
E-Mail: nbazara@sl.universalservice.org

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EXHIBIT C



Schools and Libraries Division

Nov 30, 2009

Isabelle Harrington
IDITAROD AREA SCHOOL DISTRICT
Telephone:
Application Number

(907) 5243033 Ext 224
662363

Response Due Date: Dec 15, 2009

The Program Integrity Assurance (PIA) team is in the process of reviewing all Funding Year 2009 Form 471 Applications for schools and libraries discounts to ensure that they are in compliance with the rules of the Universal Service program. We are currently in the process of reviewing your Funding Year 2009 Form 471 Application. To complete our review, we need some additional information. The information needed to complete the review is listed below

I.)

For FRN **1809041, 1809043, 1809044**, the documentation provided in the Item 21 Attachments indicates that the following ineligible items, ***Ineligible 20% for function of Caching Server*** were included in your request. The rules of this program require that charges associated with ineligible items be identified in order to determine the eligibility of the request. **Please provide documentation identifying the charges associated with the Ineligible Items that were identified above for EACH FRN.**

If you are unable to identify the costs associated with the ineligible items, the entire amount may be considered ineligible. Any documentation provided should clearly identify any ineligible charges that were cost allocated out of your request.

For further information, see "Cost Allocation Guidelines for Products and Services" located in the Reference Area of the USAC Web site at: <http://www.usac.org/sl/applicants/step06/cost-allocation-guidelines-products-services.aspx>

Please fax or email the requested information to my attention. If you have any questions or you do not understand what we are requesting, please feel free to contact me.

It is important that we receive all of the information requested **within 15 calendar days** so we can complete our review. **Failure to respond may result in a reduction or denial of funding. If you need additional time to prepare your response, please let me know as soon as possible.**

Should you wish to cancel your Form 471 application(s), or any of your individual funding requests, please clearly indicate in your response that it is your intention to cancel an application or funding request(s). Include in any cancellation request the Form 471 application number(s)

and/or funding request number(s), and the complete name, title and signature of the authorized individual.

Thank you for your cooperation and continued support of the Universal Service Program.

Nicholas C. Bazaral
Associate Manager- PIA
Schools & Libraries
Phone# 973-581-7686
Fax#973-599-6521
E-Mail: nbazara@sl.universalservice.org

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Schools and Libraries Division

Dec 8, 2009

Isabelle Harrington
IDITAROD AREA SCHOOL DISTRICT
Telephone:
Application Number

(907) 5243033 Ext 224
662363

Response Due Date: Dec 15, 2009

You were recently sent a written request for additional information needed by the Program Integrity Assurance (PIA) team to review your Funding Year 2009 Form 471 application to ensure that it is in compliance with the rules of the Universal Service program. This is a reminder that the response due date is approaching. To date, none of the requested information has been received. The information needed to complete the review is listed below.

I.)

For FRN **1809041, 1809043, 1809044**, the documentation provided in the Item 21 Attachments indicates that the following ineligible items, *ineligible 20% for function of Caching Server* were included in your request. The rules of this program require that charges associated with ineligible items be identified in order to determine the eligibility of the request. **Please provide documentation identifying the charges associated with the ineligible items that were identified above for EACH FRN.**

If you are unable to identify the costs associated with the ineligible items, the entire amount may be considered ineligible. Any documentation provided should clearly identify any ineligible charges that were cost allocated out of your request.

For further information, see "Cost Allocation Guidelines for Products and Services" located in the Reference Area of the USAC Web site at: <http://www.usac.org/sl/applicants/step06/cost-allocation-guidelines-products-services.aspx>

It is important that we receive all of the information requested so the PIA team can complete its review. Please fax or email the requested information to my attention. If you have any questions, do not understand what we are requesting, or feel that you have already responded, please feel free to contact me.

If we do not receive the requested information by Dec 15, 2009, your application(s) will be reviewed using the information currently on file. Failure to respond may result in a reduction or denial of funding.

Should you wish to cancel your Form 471 application, or any of your individual funding requests, please clearly indicate in your response that it is your intention to cancel an application or funding request(s); along with the Form 471 application number(s) and/or funding request number(s), and the complete name, title and signature of the authorized individual.

A copy of this correspondence is being forwarded to your State E-Rate Coordinator for informational purposes only.

Thank you for your cooperation and continued support of the Universal Service Program.

Nicholas C. Bazaral
Associate Manager- PIA
Schools & Libraries
Phone# 973-581-7686
Fax#973-599-6521
E-Mail: nbazara@sl.universalservice.org

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EXHIBIT D



IDITAROD AREA SCHOOL DISTRICT

P.O. BOX 90 McGRATH, ALASKA 99627 (907) 524-3599x224 FAX (907) 524-3217

March 25, 2010

Letter of Appeal
Schools & Libraries Division – Correspondence Unit
30 Lanidex Plaza West
PO Box 685
Parsippany, NJ 07054-0685

LETTER OF APPEAL

Re: CC Docket No. 02-6
Iditarod Area School District
BEN #145590
471 Application # 662363
Appeal of FRN 1089041 and 1809043
Service provided by GCI
SPIN#143001199

The Iditarod Area School District (IASD) is appealing the January 26, 2010, funding commitment decision to reduce the amount of eligible service funding. We are appealing this on two levels. First, that there was a decision to reduce any funding, and second, the resulting reduction in funding was inconsistent with the data provided to Program Integrity Assurance (PIA).

IASD's funding was reduced for FRNs 1809041 and 1809043 "...to remove: cache server functionality..." The caching servers in question are owned by our service provider, GCI Communication Corp, and are located at each of the District's seven schools. This on-premise equipment is necessary to the provision of service to these schools since each is located in a remote Alaska community only served by satellite communications. There are no land-line communications to any of the District's served communities. Each school has a satellite dish with corresponding equipment necessary to deliver service. The on-premise equipment has never been an issue before as it has

always passed the Tennessee Decision criteria for determining whether the equipment was internal to the individual school's LAN or external and necessary to the provision of service. It has always been found to be the latter.

For this funding year PIA asked questions related to the eligibility of the service provider's on-premise equipment as if the equipment was part of the LAN. GCI responded to the District's request for information to reply to the PIA request (attached IASD PIA ltr 2009-11-20). In GCI's response they stated the on-premise server had a 20% caching function. PIA then asked for cost allocation information (attached IASD PIA ltr 2009-12-08) on the caching functionality of the server. GCI responded that the servers cost \$1,380.00 per device. Allocating the cost over the 36-month term of our contract meant that the amortized cost of a server was \$38.33 per month. Allocating out the 20% "ineligible" caching functionality would mean an "ineligible" portion of \$7.67 per month per location.

The Tennessee Decision notes the eligibility of a server, particularly a caching server, is fully eligible when used by a service provider and its costs may be included in the service delivery price (FCC 99-216, §41, last sentence). So why is PIA now asking for cost allocation on service provider equipment? This is the basis for our primary appeal which is the caching functionality of the service provider owned and maintained on-premise device is not an issue for cost allocation since it is outside of the school's LAN. Therefore we believe no reduction should occur and the funding should be approved as submitted.

The funding commitments received on January 21, 2010, for FRNs 1809041 and 1809043, have the comments, "MR1: The dollars requested were reduced to remove: cache server functionality for \$92.04. <><><><><> MR2: The FRN was modified from \$5,350/mo to \$5,257.96/mo to agree with the applicant documentation" and "MR1: The dollars requested were reduced to remove: cache server functionality for \$552.24. <><><><><> MR2: The FRN was modified from \$25,500/mo to \$24,947.76/mo to agree with the applicant documentation" respectively. FRN 1809041 is for Internet Access for the McGrath school, a single entity. The documentation provided identified the caching server allocation amount as \$7.67 per month but the FRN reduces the amount by \$92.04 per month, or 12 times \$7.67. FRN 1809043 is for Internet Access for the six other community schools in the district. The documentation provided identified the caching server allocation amount as \$7.67 per month per location, or \$46.02 for all six school, but the FRN reduces the amount by \$552.24 per month, or 12 times \$46.02. Again, we disagree with any reduction, but we also must disagree with the math that was used to reduce the funding amounts in FRNs 1809041 and 1809043 in that it is 12 times too high.

Due to deadlines, I have already submitted our form 486. I request reconsideration of the above two funding requests based on the documentation submitted with this appeal.

Please contact me by email: iharrington@iditarodsd.org or by phone at 907-524-3033 x224.

Sincerely,


Isabelle Harrington
Business Manager

EXHIBIT E

FUNDING COMMITMENT REPORT
Service Provider Name: GCI Communication Corp
SPIN: 143001199
Funding Year: 2009

Name of Billed Entity: IDITAROD AREA SCHOOL DISTRICT
Billed Entity Address: TAKOTMA AV
Billed Entity City: MCGRATH
Billed Entity State: AK
Billed Entity Zip Code: 99627
Billed Entity Number: 145590
Contact Person's Name: Isabelle Harrington
Preferred Mode of Contact: EMAIL
Contact Information: iharrington@iditarodsd.org
Form 471 Application Number: 662363
Funding Request Number: 1809041
Funding Status: Funded
Category of Service: Internet Access
Form 470 Application Number: 284800000650720
Contract Number: SA-259
Billing Account Number: 100-001476
Service Start Date: 07/01/2009
Contract Expiration Date: 06/30/2010
Number of Months Recurring Service Provided in Funding Year: 12
Annual Pre-Discount Amount for Eligible Recurring Charges: \$63,095.52
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$500.00
Pre-Discount Amount: \$63,595.52
Applicant's Discount Percentage Approved by SLD: 70%
Funding Commitment Decision: \$44,516.86 - FRN approved; modified by SLD
Funding Commitment Decision Explanation: MR1: The dollars requested were reduced to remove: cache server functionality for \$92.04. <><><><><> MR2: The FRN was modified from \$5,350/mo to \$5,257.96/mo to agree with the applicant documentation.
FCDL Date: 01/26/2010
Wave Number: 037
Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2010

FUNDING COMMITMENT REPORT
Service Provider Name: GCI Communication Corp
SPIN: 143001199
Funding Year: 2009

Name of Billed Entity: IDITAROD AREA SCHOOL DISTRICT
Billed Entity Address: TAKOTMA AV
Billed Entity City: MCGRATH
Billed Entity State: AK
Billed Entity Zip Code: 99627
Billed Entity Number: 145590
Contact Person's Name: Isabelle Harrington
Preferred Mode of Contact: EMAIL
Contact Information: iharrington@iditarodsd.org
Form 471 Application Number: 662363
Funding Request Number: 1809043
Funding Status: Funded
Category of Service: Internet Access
Form 470 Application Number: 284800000650720
Contract Number: SA-259
Billing Account Number: 100-001476
Service Start Date: 07/01/2009
Contract Expiration Date: 06/30/2010
Number of Months Recurring Service Provided in Funding Year: 12
Annual Pre-Discount Amount for Eligible Recurring Charges: \$299,373.12
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$3,000.00
Pre-Discount Amount: \$302,373.12
Applicant's Discount Percentage Approved by SLD: 89%
Funding Commitment Decision: \$269,112.08 - FRN approved; modified by SLD
Funding Commitment Decision Explanation: MR1: The dollars requested were reduced to remove: cache server functionality for \$552.24. <><><><><> MR2: The FRN was modified from \$25,500/mo to \$24,947.76/mo to agree with the applicant documentation.

FCDL Date: 01/26/2010

Wave Number: 037

Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2010

EXHIBIT F



Universal Service Administrative Company
Schools & Libraries Division

Administrator's Decision on Appeal – Funding Year 2009-2010

May 11, 2010

Isabelle Harrington
Iditarod Area School District
P. O. Box 90
McGrath, AK 99627

Re: Applicant Name: IDITAROD AREA SCHOOL DISTRICT
Billed Entity Number: 145590
Form 471 Application Number: 662363
Funding Request Number(s): 1809041, 1809043
Your Correspondence Dated: March 25, 2010

After thorough review and investigation of all relevant facts, the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC) has made its decision in regard to your appeal of USAC's Funding Year 2009 Funding Commitment Decision Letter for the Application Number indicated above. This letter explains the basis of USAC's decision. The date of this letter begins the 60 day time period for appealing this decision to the Federal Communications Commission (FCC). If your Letter of Appeal included more than one Application Number, please note that you will receive a separate letter for each application.

Funding Request Number(s): 1809041, 1809043
Decision on Appeal: **Partially Approved**
Explanation:

- Your appeal has brought forward persuasive information that your appeal should be partially approved for the reasons cited below.

During the Program Integrity Assurance (PIA) review process it was determined that the above funding requests contained ineligible caching. USAC gave you the opportunity to provide a cost allocation with regard to the ineligible caching and on December 22, 2009 that cost allocation was provided. Based on your documentation provided, 20% of the requested server(s) function is for the ineligible caching. In your appeal, you state that the funding requests were incorrectly reduced by the annual ineligible amount instead of the monthly ineligible amount. You also state that the servers are owned by the service

provider and the equipment is necessary to the provision of service for the schools and feel that the caching is therefore, fully eligible in this case.

For FRN: 1809041, during the PIA review you requested that \$7.67 be reduced from the recurring (monthly) amount for one site which would result in the annual ineligible amount being \$92.04 for this request.

For FRN: 1809043, during the PIA review you requested that \$7.67 be reduced from the recurring (monthly) amount for six sites (\$46.02) which would result in the annual ineligible amount being \$552.24 for this request.

During the appeal review process it was determined that the included caching is ineligible per the rules of this Support Mechanism. It was also determined that the allocated as ineligible pre-discount recurring (monthly) amounts of \$7.67 and \$46.02 that you had provided to USAC (during the PIA review) will be removed from the funding requests. ~~The funding will be increased accordingly.~~

- FCC rules provide that funding may be approved only for eligible products and services. See 47 C.F.R. secs. 54.502, 54.503. The USAC website contains a list of eligible products and services. See USAC website, www.usac.org/sl, Eligible Services List. FCC rules further require that if 30% or more of the applicant's funding request includes ineligible products and/or services, then the funding request must be denied, otherwise the funding request will be reduced accordingly. See 47 C.F.R. sec. 54.504(d). The FCC's Aiken County Public Schools Order directed USAC to permit the applicant 15 calendar days from the date of receipt of notice in writing by USAC to revise its funding request to remove the ineligible services or allow the applicant to provide additional documentation to show why the services are eligible. See Requests for Review of the Decisions of the Universal Service Administrator by Aiken County Public Schools Aiken, SC, et al., Schools and Libraries Universal Service Support Mechanism, File No. SLD-397612, et al., CC Docket No. 02-6, Order, 22 FCC Rcd 8735, FCC 07-61 para. 11 (May 8, 2007).

Since the Administrator's Decision on Appeal modifies funding for your application, USAC will issue a ~~Revised Funding Commitment Decision Letter (RFCDL)~~ to you and to each service provider that will provide the services approved for discounts in this letter. USAC will issue the RFCDL to you as soon as possible. If your appeal included Internal Connections at a discount level that has not yet been approved for funding, an RFCDL will be issued for those funding requests once USAC determines if there will be sufficient funds to make commitments at your discount level. ~~The RFCDL will inform you of the precise dollar value of your approved funding request(s).~~ As you await the RFCDL, you may share this Administrator's Decision on Appeal with the relevant service provider(s).

If the original FCDL approved funding in part for the services covered by this appeal, the 120 day deadline for filing Forms 486 is determined based on the date of the original FCDL that approved funding for the request(s). However, if the original FCDL denied funding for the services covered by this appeal, ~~Forms 486 cannot be filed until you have~~

~~received your appeal~~ If your appeal has been approved, but funding has been reduced or denied, you may appeal these decisions to either USAC or the FCC. For appeals that have been denied in full, partially approved, dismissed, or canceled, you may file an appeal with the FCC. You should refer to CC Docket No. 02-6 on the first page of your appeal to the FCC. Your appeal must be received or postmarked within 60 days of the date on this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. If you are submitting your appeal via United States Postal Service, send to: FCC, Office of the Secretary, 445 12th Street SW, Washington, DC 20554. Further information and options for filing an appeal directly with the FCC can be found in the "Appeals Procedure" posted in the Reference Area of the SLD section of the USAC web site or by contacting the Client Service Bureau. We strongly recommend that you use the electronic filing options.

We thank you for your continued support, patience and cooperation during the appeal process.

Schools and Libraries Division
Universal Service Administrative Company

cc: Isabelle Harrington

EXHIBIT G

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20556**

In the Matter of)	
)	CC Docket No. 02-6
Request for Review by)	CC Docket No. 96-45
GCI Communication Corp. of)	Application No. 662363
Decision by Universal Service Administrator)	

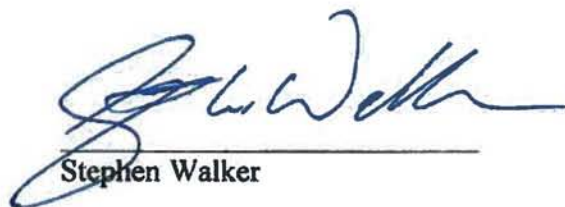
DECLARATION OF STEVE WALKER

I, Stephen Walker, do hereby declare under penalty of perjury:

1. I am the Budgets & Administrative Services Manager for Managed Broadband Services within GCI Communication Corp. ("GCI"). My responsibilities include being GCI's point of contact with USAC for the Federal Communication Commission's Schools & Libraries ("Erate") and Rural Health Care programs. I serve as the primary contact between GCI and the Iditarod Area School District ("IASD" or "District") for all Schools & Libraries funding issues. I have personal knowledge of the technical configuration of the IASD's SchoolAccess service.
2. In my role as primary contact between GCI and IASD for Schools & Libraries issues, I have supported IASD's efforts to receive reimbursement through the Erate program for the caching function that is included in IASD's SchoolAccess service. This support has included reviewing communications between USAC and IASD and providing IASD with the information necessary to demonstrate that the caching functionality that GCI provides as part of the SchoolAccess service is eligible for reimbursement.
3. At IASD's request, I reviewed USAC's inquiries seeking information to rebut the presumption that GCI's on-premises caching server is part of the IASD LAN and assisted IASD in providing the necessary information to USAC.

4. The caching server is eligible for reimbursement because:
- The caching server is not a part of IASD's internal network;
 - The caching server is owned by GCI;
 - GCI does not have any lease purchase agreements with IASD regarding the caching server;
 - IASD's payment for the caching function is simply payment for part of the Internet access service provided by GCI;
 - GCI and IASD have no exclusivity arrangement regarding the use of the caching server;
 - GCI is responsible for the maintenance of the caching server; and,
 - The caching server is behind the demarcation point for IASD's Internet access service and is necessary for efficient use of the satellite connection for the provision of Internet access service.

Executed on July 12, 2010.



Stephen Walker